



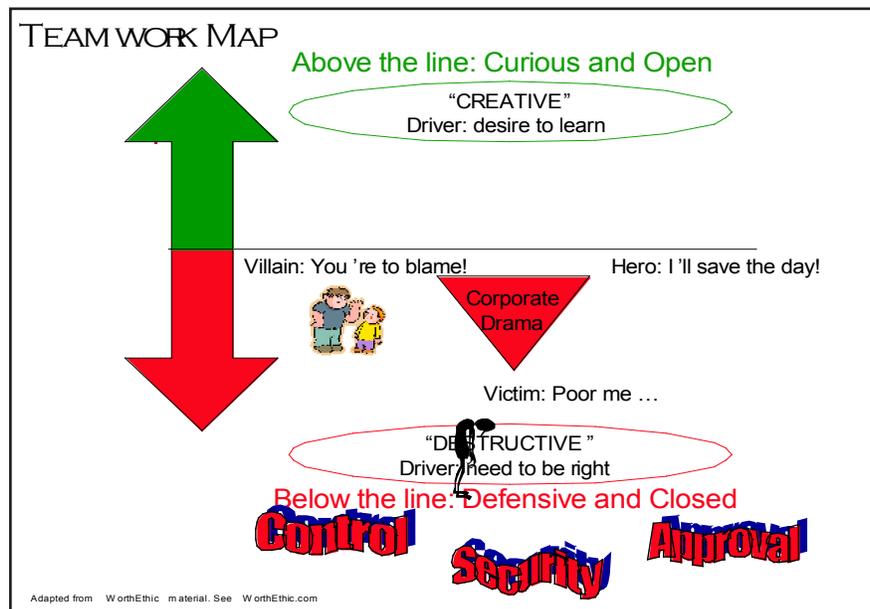
FOCUS CONSULTING GROUP

WHY EVERY INVESTOR SHOULD MEDITATE: Enhancing Individual and Team Performance

Jim Ware, CFA

Investment professionals around the world have been intrigued by our framework for discussing high-performing teams. We at Focus Consulting Group get lots of pushback and excellent questions about the subtleties of the model, but at the end of the day teams find it a useful way to think about investment teamwork. In this paper I argue that the single best tool we know of for succeeding in our framework is meditation. (*Note: I'm not smoking a joint or eating granola as I write this. I'm quite sober.*) I want to introduce some science into the discussion and end with some practical suggestions for interested readers.

First, a brief explanation of the framework I just referred to, which is pictured here:





A person can be in one state of mind at a time: either curious and open (“above the line”) or defensive and closed (“below the line”). Cultures that inspire high levels of trust and respect tend to encourage above-the-line behaviors. Cultures that are fear-based inspire below-the-line behaviors, often referred to as “fight, flight, or feint” reactions. A key driver when we are below the line is the need to be right. We feel defensive and so we naturally try to win the argument. The alternative to being driven by a need to be right is a desire to learn. Most people can readily feel the difference, when asked, between the two states of mind: openness, wonder, curiosity, a desire to learn vs. closed, defensiveness, and a need to be right.

We believe it’s a very useful skill for an individual to be able to determine if he or she is above or below the line—especially for investment professionals. Why? Because the very best thinking—creative and insightful—takes place above the line. The thinking that takes below the line is predictable and conventional. Obviously, in a game where independent thinking wins the day over the herd mentality, you don’t want to spend a lot of time below the line.

There are three distinct ways to detect if you are below the line:

1. Sensations: your body will tip you off, with racing heart, sweaty palms, stiff shoulders, etc.
2. Emotions: anger, fear, and sadness are signs that something triggered your fight-or-flight response.
3. Thoughts: criticisms, defenses, “yeah, but,” and the like.

For each of us, one of the three reactions is usually more pronounced. Still, it’s a useful exercise, during heated discussions, to check in and see what’s happening in each category.

Another way to determine if you have fallen below the line is captured in the three images in the graphic: the villain, the victim, and the hero. These three common roles make up what we call the “Drama Triangle.” Each of the roles has a distinctive feel and quality to it:

- *The villain*: assigns blame to others; criticizes and bullies. Locates the problem outside of himself/herself. Says, “YOU are to blame.”
- *The victim*: feels powerless and whines. Feels that she or he is only a recipient of action, at the mercy of others. Says, “Poor me.”
- *The hero*: sees others as needing his or her help; rushes in to rescue and save people. Provides a temporary fix. Assumes more than her or his share of responsibility. Says, “I’ll save the day.”

The usefulness of the Triangle is that people understand it immediately. We have yet to see someone respond to this model with a blank stare or a comment like, “I have no idea what you are talking about.” Rather, people instinctively get it. They identify with the experience: we all descend into the triangle—in one role or another, sometimes several—daily. It’s human nature. Unfortunately, though its presentation here may be amusing, the triangle is not a productive place to live. Our bottom line-teaching about the triangle is: nothing constructive happens there.



Very simply, teams that do their best thinking develop strategies for living above the line. This isn't to say that they will attain perfection and never drop below; that is reserved for saints. Nevertheless, teams can get better at spotting when one or more of their members is below the line and then shifting.

Shifting involves discovering reliable ways to move from below the line back above the line—and this is where meditation comes in. In our view, meditation is the mother-lode of techniques for living above the line. Techniques like breathing, stretching, exercising, positive self-talk, etc., are all useful, but meditation is the foundational piece that gets you the most bang for your buck. Ken Wilber (arguably the Warren Buffett of consciousness studies) writes:

“There is, in fact, considerable experimental evidence demonstrating that the more you are plunged into authentic higher states of consciousness—such as meditative states—the faster you will grow and develop...It's as if higher-states training acts as a lubricant on the spiral of development, helping you disidentify with a lower stage so that the next higher stage can emerge.”¹

For those of you wondering what Wilber means by “lower” and “higher” stages, he is referring to stages like Maslow's hierarchy or Kohlberg's moral development. In each case, higher is better. Heavyweight Daniel Goleman, author of several books, including *Primal Leadership*, and credited with coining the term “Emotional Intelligence,” also endorses meditation:

“For 30 years meditation research has told us that it works beautifully as an antidote to stress, but what's exciting about the new research is how meditation can train the mind and reshape the brain.”²

So, if you and your team are interested in improving performance, read on about the benefits of meditation and how to do it.

WHAT IS MEDITATION?

First off, let's get a working definition of meditation. We'll borrow from Roger Walsh and Frances Vaughn, two experts in the field of consciousness and meditative practice:

“What then is meditation? The term refers to a family of practices that train attention in order to bring mental processes under greater voluntary control and to cultivate specific mental qualities such as awareness, insight, concentration, equanimity, and love. It aims for development of optimal states of consciousness and psychological well-being.”³

Typically people think of meditation as sitting in the lotus posture and chanting “OM,” but there are many effective ways to meditate. Some people repeat a mantra; some people follow their breathing; others simply watch whatever arises in their consciousness. The important aspect, in our view, is the cultivation of the “witness” or “inner observer.” This skill involves merely



watching or noticing thoughts and emotions as they emerge, rather than becoming engaged with them. For example, if you are meditating and an old argument arises in your mind, rather than playing it out in your mind—“he said, she said”—you would simply note that this thought arose and let it go. As simple as this process sounds, if you try it you’ll see that it is remarkably difficult. Nearly all of us are addicted to thinking. We can’t slow down or shut off our mental machinery, which is why many meditation teachers refer to the mind as the “chattering monkey.” One of the goals of meditation is to detach from the chattering monkey, to realize that we can create space between us and our busy minds.

Here is a description of the process of detaching, from another expert in the field of consciousness, Eckhart Tolle:

“The good news is that you can free yourself from your mind...Start listening to the voice in your head as often as you can. Pay particular attention to any repetitive thought patterns, those old audiotapes that have been playing in your head perhaps for many years.

This is what I mean by “watching the thinker,” which is another way of saying: Listen to the voice in your head, be there as the witnessing presence.

When you listen to that voice, listen to it impartially. That is to say, do not judge. Do not judge or condemn what you hear, for doing so would mean that the same voice has come in again through the back door. You’ll soon realize: There is a voice, and I am listening to it, watching it. This I am realization, this sense of your own presence, is not a thought. It arises from beyond the mind.

So when you listen to a thought, you are aware not only of the thought but also of yourself as the witness of the thought. A new dimension of consciousness has come in.”⁴

We would sum up the proper meditation attitude in a word: curiosity. Observe the workings of your own mind with curiosity, as a scientist would observe a new phenomenon in the laboratory.

WHY MEDITATE?

Having defined meditation and the core practice, it’s fair to ask, “So what? Why would anyone waste time doing that?” For many years, the only answers came from meditators themselves, who delivered testimonials about the various benefits. Now, however, science is able to study more effectively meditation and to show its benefits objectively. Specifically,

“Researchers at the University of Wisconsin have evidence. They monitored the brains of eight of the Dalai Lama’s most accomplished meditators—monks who have practiced meditation for up to 50,000 hours, over decades—and compared the results with those of novice meditators. The monks’ brains were dramatically



*different, producing higher levels of “gamma” brain waves than scientists had ever observed in a laboratory. Gamma waves are associated with happiness, heightened awareness, and coordinated thinking. Earlier studies have found that this kind of brain activity also boosts such mental functions as memory, learning, and concentration. Meditation, the researchers say, actually appears to rewrite the brain’s circuitry—in effect, training the brain the way physical exercise trains the body.”*⁵

One researcher, Richard Davidson, told the Washington Post that:

*“the trained mind, or brain, is physically different from the untrained one. Monks appear capable of controlling their minds and emotions to a degree Westerners can scarcely imagine, and...further studies will increase the likelihood that meditation will be taken seriously.”*⁶

At Harvard Medical School, Dr. Gregg Jacobs performed studies with meditators and non-meditators (control group) and found,

*“after training in meditation for eight weeks, subjects show a pronounced change in brain-wave patterns, shifting from the alpha waves of aroused, conscious thought to the theta waves that dominate the brain during periods of deep relaxation.”*⁷

Other benefits of meditation have been studied and reported by Bill Harris at the Centerpointe Research Institute in Oregon. He writes:

*“Many other benefits of meditation have been well documented. Several studies have shown distinct improvements in health: blood pressure normalizes, stress and anxiety levels decrease, insomnia disappears, and vitality increases. Mentally, the ability to focus the mind increases, as does the ability to think clearly and to make creative connections between seemingly divergent bits of information. IQ scores improve, self-actualization—the ability to experience and express one’s full potential—increases. Problem solving abilities improve, both through increased rational abilities and through increased intuition.”*⁸

The point made here about creativity is important. Almost every investment firm we work with emphasizes the need for thought leadership, independent thinking, and innovation. After all, you can’t beat the market if you are copying the market. You need to make separate and distinct bets and they need to be right more than half the time. Meditation can contribute significantly to thinking “out of the box”—as Harris put it, “to mak[ing] creative connections between seemingly divergent bits of information.” That is the guts of creativity: arranging the data in a unique way, different from the competition. With regard to creativity, Tolle advises the following:



“When you do use your mind, and particularly when a creative solution is needed, oscillate every few minutes or so between thought and stillness [between active thinking and witnessing], between mind and no-mind. No-mind is consciousness without thought [witnessing]. Only in that way is it possible to think creatively, because only in that way does thought have any real power. Thought alone, when it is no longer connected with the much vaster realm of consciousness, quickly becomes barren.”⁹

Now let’s return to the original inquiry: how does one stay above the line? Consider what Abraham Maslow—mentioned earlier in connection with his hierarchy-of-needs model—believes to be the benefits of the meditative experience:

“The experiencer becomes more “innocent,” more receptive without questioning, as children are. In the purest extreme the person is naked in the situation, guileless, without expectations or worries of any kind, without “shoulds” or “oughts,” without filtering the experience through any a priori ideas of what the experience should be, or of what is normal, correct, proper, right. The innocent child receives whatever happens without astonishment, shock, indignation, or denial, and without any impulse to “improve” it...

Fear disappears (along with all other personal or selfish considerations). The person is then non-defensive.

“All of this adds up to laying aside all the characteristics of our most prideful rationality, our words, our analysis, our ability to dissect, to classify, to define, to be logical. All of these processes are postponed.”¹⁰

This description almost perfectly defines the experience of being above the line: curious, open, nondefensive, fearless, humble. Maslow and others are suggesting that meditation promotes that state of mind. The more we learn to detach from our thinking, the less we are pulled into the dramas that our minds create. We can recognize when our monkey mind is not helping, when it starts to scream, “The sky is falling, the sky is falling!” When this is the case, we can turn to reliable “shifts” that help us move back above the line and return to equanimity. Meditation as a daily practice is the most powerful foundation for permanent equanimity.

Another area of investing in which a meditative attitude is very helpful is in eliminating behavioral finance biases. As most experts in the area will state, self-awareness is the main tool for defending against biases. To eliminate a bias, we need to be self-aware enough to watch what we are doing, note it, then eliminate it. This process will not occur when people are running on automatic pilot, which is true for most of us, most of the time. (This explains why the phrase, “Wake up!” is so popular with spiritual teachers addressing their students.)

For many, the reaction to what I’ve written so far is: Fine, but I’m busy and I don’t have the time or inclination to go to an ashram in India or a temple in Tibet to learn the fine points of meditation.



Agreed. That's why I'm excited to pass along the Western world's answer to meditation. (The beauty of living in the United States is that it is only a matter of time until someone creates a simpler, more user-friendly way of doing something. Especially when financial promise is part of the equation.) The resources described in the attached list are readily available and have been kitchen-tested by us. They work. They have contributed greatly to our health, well-being, and mental acuity. But don't take our word for it; try them yourself and judge from your own experience.

SUMMARY

Investment professionals are in the business of out-thinking their competitors. The chances of doing this are greatly enhanced when the investment team plays "above the line," thereby improving their collective decision making ability and creativity. We believe:

*Meditation is a practice that helps individuals spend more time above the line;
the core of meditation is learning to witness one's own thoughts and feelings.*

Many products are available that greatly simplify attainment of the benefits of meditation. As always, please call us with questions or comments about this material. 



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- ⁸ Bill Harris (Centerpointe Research Institute, 1991), 3.
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RESOURCES

1. *Centerpointe Research Institute*

Bill Harris, quoted earlier in this article, has developed a product called “Holosync.” It uses sound waves to affect the brain. One sits with stereo headphones, listens to the soundtrack, and takes on an attitude of curiosity. (That is, whatever comes up in your mind during the session, just acknowledge it and let it go.) When you listen to the entire soundtrack (one hour), your brain waves go from alpha to delta and then theta. (Basically, your brain is slowed down considerably.) The beauty of this product is that you don’t have to DO anything. You just put on the headphones and devote the time; the sound technology does the rest. The effect that most people report is becoming very relaxed and peaceful. We at Focus Consulting have been using the Holosync for a number of years and endorse it.

<http://www.centerpointe.com/centerpointe/?gclid=CMCarejCgJACFUV0OAodsAv02Q>

2. *Mind Aerobics*

Allen Koss has used the Holosync technologies to create his own CDs called “Mind Aerobics.” Some benefits of “Mind Aerobics”: shorter listening time (30 minutes) and less expensive than Centerpointe. The MA website describes the product and its benefits. For more information, call 888-860-6577 or 503-574-3035.

<http://www.MindAerobics.com>

3. Deep Relaxation (Audio CD)

Paul Scheele of *Learning Strategies Corporation* has developed paraliminal CDs that help create the deep relaxation state achieved in meditation. This CD is very good.

<http://www.learningstrategies.com/Home.asp>

4. *The Sedona Method*

Hale Dwoskin has written a book (*The Sedona Method*) and leads workshops that teach a meditative process of releasing thoughts and feelings. The outcome is much greater peace of mind and, as Tolle described earlier, greater access to creativity. I recommend Dwoskin’s book and the CD set that reviews the material in the book.

<http://www.sedona.com/index.aspx>

5. *Practicing the Power of Now* by Eckhart Tolle

Tolle writes compellingly on the subject of consciousness. This small book is an excellent introduction.

<http://www.eckharttolle.com/books>